

Message Text

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ACTION EB-08

INFO OCT-01 EA-12 IO-14 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 /136 W
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R 021230Z JUN 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 8448
INFO USMISSION GENEVA

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DEPT PASS STR ELECTRONICALLY

USMTN

E.O. 11652: N/A
TAGS: ETRD, JA, US
SUBJECT: STRAUSS-USHIBA FOLLOW-UP: SUMMARY STATUS REPORT

REF: TOKYO 7970

1. SUMMARY: JAPANESE OFFICIALS EXPRESS RENEWED CONFIDENCE IN ACHIEVING 7 PERCENT GROWTH TARGET AND IN REDUCING C/A SURPLUS. BEEF IMPORT ASSURANCES CLARIFIED IN MAY AND SIGNIFICANT IMPORTS ARE RECORDED. FOREST PRODUCTS MISSION TO VISIT U.S. IN JUNE. PROGRESS OCCURS ON OTHER STRAUSS-USHIBA STATEMENT OBJECTIVES, BUT REAL TURN-AROUND ON TRADE AND PAYMENTS IS STILL TO COME. END SUMMARY.

2. INCREASED ECONOMIC GROWTH - JAPAN WILL ACHIEVE A HIGH, NON-INFLATIONARY RATE OF GROWTH AND REITERATES ITS 7 PERCENT GROWTH TARGET FOR JFY-78:
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JAPANESE OFFICIALS EXPRESS GROWING CONFIDENCE THAT 7 PERCENT TARGET WILL BE ACHIEVED. TRENDS OF RECENT MONTHS HAVE BEEN FAVORABLE AND FULL IMPACT OF EARLIER REFLATIONARY BUDGET AND DISCOUNT RATE CUTS HAS NOT YET BEEN FELT. INDUSTRIAL PRODUCTION SLIPPED A LITTLE IN APRIL AFTER FIVE MONTHS OF STEADY ADVANCE AND A PARTICULARLY STRONG MARCH PERFORMANCE. SOON-TO-BE

RELEASED GNP DATA FOR JAN-MAR QUARTER (LAST QUARTER OF JFY-77) EXPECTED TO SHOW 2 PERCENT REAL GROWTH (8 PERCENT S.A.A.R.). BETTER BALANCE OF INVENTORIES ACHIEVED IN JAN-MAR QUARTER SHOULD PROVIDE GOOD BASE FOR CAPITALIZING ON ANTICIPATED EXPANSION OF DOMESTIC FINAL DEMAND AS NEW FISCAL YEAR UNFOLDS. GOVT LEADERS, INCLUDING PRIME MINISTER FUKUDA, HAVE REPEATEDLY SAID GOJ WILL TAKE TIMELY, EFFECTIVE STIMULUS MEASURES IF THERE IS ANY FALTERING IN THE EXPECTED EXPANSION. INFLATION, AS MEASURED BY YEAR-OVER-YEAR CPI FIGURES, APPEARS TO BE UNDER BETTER CONTROL--INCREASING AT 4 TO 5 PERCENT.

3. JAPAN'S CURRENT ACCOUNT SURPLUS WILL BE CONSIDERABLY REDUCED IN JFY-78, AND THEREAFTER FURTHER EFFORTS TO REDUCE IT WILL BE CONTINUED, AIMING AT EQUILIBRIUM: FIGURES FOR JAN-MAR QUARTER (LAST QUARTER OF JFY-77) SHOWED CURRENT ACCOUNT SURPLUS SWELLING TO \$5.5 BIL, PROBABLY DUE AT LEAST IN PART TO SPECIAL FACTORS. APRIL SURPLUS WAS \$1.2 BIL (S.A.) FOLLOWING A HUGE \$2.1 BIL SURPLUS IN MARCH. NO EVIDENCE YET OF A DECLINING TREND BUT POLICIES AND ECONOMIC TRENDS ARE CONSISTENT WITH AN IMPROVING TREND THROUGH JFY-78, THOUGH FROM A VERY LARGE JFY-77 BASE OF A \$14 BIL SURPLUS. RECENT STEPS HAVE BEEN TAKEN TO IMPLEMENT THE EXPANDED EMERGENCY IMPORT PROGRAM. (TOKYO 7098, UNCLASSIFIED

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9589). OFFICIAL STATEMENTS IMPLICITLY ACKNOWLEDGE THAT THE OFFICIAL CURRENT ACCOUNT FORECAST OF A \$6 BIL SURPLUS IN JFY-78 THAT WAS MADE LAST DECEMBER HAS NOW GONE BY THE BOARDS. NO NEW OFFICIAL PROJECTION HAS YET EMERGED BUT KEY MINISTERS NOW TALK ABOUT A DECLINE IN THE SURPLUS BECOMING EVIDENT AFTER SEPTEMBER. ONE POSSIBLE NEW FORMULATION OF THE CURRENT ACCOUNT OBJECTIVE WHICH HAS BEEN HEARD IS MONTHLY SURPLUSES RUNNING AT A \$6 BIL ANNUAL RATE BY THE END OF JFY-78.

4. TRADE OBJECTIVES -

(A) BASIC EQUITY IN THE U.S.-JAPAN TRADING RELATIONSHIP, (B) SECO, (C) PARITY IN OPENNESS OF BOTH U.S. AND JAPANESE MARKETS, AND (D) COMPARABLE AVERAGE LEVELS OF BOUND TARIFFS:

THE MOST CURRENT ASSESSMENTS ON THESE MTN TOPICS ARE AVAILABLE FROM WASHINGTON AND GENEVA.

5. MEASURES TO INCREASE JAPANESE IMPORTS OF MANUFACTURES IN TERMS OF TOTAL VALUE AND SHARE OF TOTAL IMPORTS: IN THE FIRST QUARTER OF 1978 JAPANESE IMPORTS OF MANUFACTURES WAS 22.8 PERCENT OF TOTAL IMPORTS, SLIGHTLY BETTER THAN THE 20.68 PERCENT OF THE PREVIOUS QUARTER.

SOME JAPANESE AUTO COMPANIES HAVE ANNOUNCED EFFORTS TO INCREASE IMPORTS OF COMPONENTS AND PARTS. MITI AND KEIDANREN REPRESENTATIVES HAVE BEEN STRESSING IN PUBLIC STATEMENTS THE NEED TO INCREASED IMPORTS OF MANUFACTURES. (SEE TOKYO 5365, 9211.)

6. INCREASE IMPORTS OF HIGH QUALITY BEEF BY 10,000

MT IN JFY-78:

AS FOLLOW-UP TO MAY 1 CONCLUSION OF JAPANESE BEEF TEAM TALKS WITH WASHINGTON AGENCIES (STATE 115873) THERE WERE TWO IMPORTANT DEVELOPMENTS IN MAY. MAF GAVE AGATT TWO DAY ADVANCE NOTICE OF ANNOUNCEMENT OF FIRST HALF JFY-78 BEEF QUOTA OF 40,000 MT. THIS WAS 5,000 MT

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INCREASE OVER LAST YEAR AND THE FIRST TIME MAF HAS CALLED IN AGATT MORE THAN A FEW HOURS IN ADVANCE (TOKYO 8268). SECONDLY, MAF CALLED IN AGATT IN ADVANCE TO ADVISE LIPC TENDERING FOR 6,750 MT OF BEEF, OF WHICH 1,920 MT OR 28.4 PERCENT WAS SPECIFIED NORTH AMERICAN ORIGIN (TOKYO 8728). BOTH THE TOTAL AMOUNT AND THE 1,920 MT HIGH QUALITY BEEF PORTION UNDER WHICH 2092 TONS WERE OFFERED AND 1800 TONS WERE ACTUALLY PURCHASED, ARE THE LARGEST ANYONE CAN RECALL AND INCLUDED A WIDER VARIETY OF HIGH QUALITY CUTS THAN IN PREVIOUS TENDERS. MAF EXPLICITLY ASKED THAT U.S. CONSIDER THIS AS A SIGNAL

OF THEIR INTENTION TO FULFILL STRAUSS-USHIBA COMMITMENTS
AND EMBASSY ACCEPTS IT AS SUCH.

7. INCREASE IMPORTS OF ORANGES FROM 15,000 TO 45,000

MT:

THE FRESH ORANGE "GENERAL" QUOTA FOR THE FIRST HALF OF
THE JAPAN FISCAL YEAR (APRIL-SEPTEMBER) OF 12,000 MT

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AND THE "SEASONAL" QUOTA OF 22,500 MT FOR THE JUNE-AUGUST
PERIOD WERE ANNOUNCED APRIL 26 AS REPORTED IN TOKYO 7970.
IMPORTED ORANGES ARE SELLING IN TOKYO AT RECORD LOW PRICES.

8. INCREASE IMPORT QUOTA FOR CITRUS JUICE TO 4,000 MT:

NO SUBSTANTIAL CHANGE FROM TOKYO 7970, I.E., GOJ HAS
INDICATED THAT THE 4,000 MT CITRUS JUICE QUOTA FOR
JFY-78 WILL BE ANNOUNCED IN DECEMBER, 1978.

9. ESTABLISH AN INTER-INDUSTRY CITRUS GROUP TO REPORT
TO BOTH GOVERNMENTS BY NOVEMBER 1, 1978:

THE JAPANESE DELEGATION TO THE U.S.-JAPAN INTER-INDUSTRY
CITRUS TEAM WILL BE VISITING THE UNITED STATES FROM
JUNE 3 TO 15 AS A FOLLOW-UP TO THE U.S. DELEGATION VISIT
TO JAPAN APRIL 3-7. THE DELEGATION WILL VISIT CITRUS-
PRODUCING AREAS IN CALIFORNIA AND FLORIDA AND MEET WITH
MEMBERS OF THE U.S. CONGRESS, GOVERNMENT OFFICIALS AND
INDUSTRY LEADERS IN WASHINGTON (SEE FASTO 276) FOR CON-
TINUING DISCUSSIONS ON CITRUS TRADE POSITION AND TRADE
OPPORTUNITIES.

10. DISPATCH A FOREST PRODUCTS GROUP TO THE U.S. NORTH-
WEST TO EXPAND AND UPGRADE THIS TRADE:
SCHEDULES ARE BEING DRAWN UP TO SEND A MISSION OF FOREST
PRODUCTS EXPERTS AND USERS, UNDER THE LEADERSHIP OF
THE MINISTRY OF AGRICULTURE - FORESTRY AND THE MINISTRY
OF CONSTRUCTION, TO WASHINGTON, D.C., AND THE PACIFIC
NORTHWEST JUNE 18-29 (REFTEL TOKYO 9577). THE MISSION
OF 25 MEMBERS IS EXPECTED TO ADDRESS STANDARDS AND
BUILDING CODE PROBLEMS RAISED BY U.S. FOREST PRODUCTS
MISSION TO TOKYO MARCH 6-7, 1978, AND EXPLORE POSSIBLE
EXPANDED USE OF PLATFORM FRAME CONSTRUCTION PRODUCTS
AND METHODS IN JAPAN.

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11. DISPATCH MISSION TO U.S. TO EXPLORE PURCHASES OF
ELECTRIC POWER PLANT EQUIPMENT:

THIS MISSION WAS PART OF THE MARCH IMPORT PROMOTION MISSION TO THE U.S. IT PRODUCED NO SPECIFIC PURCHASES, BUT MAY HAVE AIDED ONE MAJOR U.S. MANUFACTURER IN CLOSING AN IMPORTANT SALE, AND ALSO CONTRIBUTED TO A PLAN FOR JAPAN TO SELL OR LEASE TO OTHER ASIAN COUNTRIES POWER GENERATING SHIPS OR BARGES WHICH WOULD BE BUILT IN JAPAN AND CARRY U.S. MADE ELECTRICAL EQUIPMENT.

12. JAPANESE CABINET DECISION TO INCREASE OPPORTUNITIES FOR FOREIGN SUPPLIERS UNDER GOVERNMENT PROCUREMENT: THE JAPANESE CABINET DECISION OF JANUARY 13, 1978, LIBERALIZING GOVERNMENT PROCUREMENT (TOKYO 3256) WAS IMPLEMENTED BY A FINANCE MINISTRY. NOTIFICATION TO ALL GOJ MINISTRIES AND AGENCIES ON APRIL 1, 1978 (TOKYO 6292). GOJ PROCUREMENT LAW, IF NOT PRACTICE, REMAINS NON-DISCRIMINATORY AND GOJ HAS ISSUED OFFICIAL EXHORTATIONS FOR BETTER TREATMENT OF FOREIGN FIRMS UNDER EXISTING STATUTES. THERE ARE INDICATIONS THAT GOJ, IN RESPONSE TO PRESSURE TO EITHER SUBSCRIBE TO A MORE MEANINGFUL GATT GOVERNMENT PROCUREMENT CODE OR OPT OUT, MAY BE MORE FORTHCOMING ON GOVERNMENT PROCUREMENT IN MTN NEGOTIATIONS IN AREAS OF TRANSPARENCY AND COVERAGE.

13. SIMPLIFICATION OF JAPANESE IMPORT INSPECTION REQUIREMENTS:

JAPAN HAS SIMPLIFIED INSPECTION OF IMPORTED MARINE ENGINES. (SEE A-135 OF MAY 25, 1978.) NO OTHER SPECIFIC ACTION NOTED IN MAY.

14. GOJ WILL PURSUE A POLICY OF AID UNTYING: AT THE END OF MAY THE EMBASSY WAS INFORMED THAT JAPAN SINCE APRIL 1, 1978 HAS PLEDGED OFFICIAL DEVELOPMENT ASSISTANCE TO FIVE COUNTRIES EITHER INFORMALLY OR IN EXCHANGES OF NOTES. PLEDGES TO THREE COUNTRIES IN UNCLASSIFIED

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AMOUNTS TOTALING 21.4 BILLION YEN ARE UNTIED; A PLEDGE TO ONE COUNTRY IN THE AMOUNT OF 3.375 BILLION YEN IS

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TIED; AND THE PROCUREMENT CONDITIONS FOR A PLEDGE TO
ONE COUNTRY (INDONESIA) IN THE AMOUNT OF 54.75 BILLION
YEN HAS NOT YET BEEN DETERMINED.

15. REVIEW PROCEDURES; INCREASED SUPPORT FOR THE TFC,
AND FUTURE MEETINGS AT VARIOUS LEVELS TO DISCUSS
PROGRESS:
PROGRESS WAS MADE IN REFINING TFC PROCEDURES TO BE
FOLLOWED WHEN A PARTICULAR CASE LIES FAR OUTSIDE MITT'S
JURISDICTION (SEE TOKYO 8387, WE WOULD APPRECIATE
RESPONSE TO PARA 6 THEREIN). A NEW CASE SUBMISSION
FORMAT HAS BEEN DEVISED, AND TWO NEW CASES (NO. 8,
CARPENTER TECHNOLOGY AND NO. 9, CORDIS-DOW) WERE
SUBMITTED, AND ONE OLD CASE (NO. 4, ABBOT LABS) RE-
SUBMITTED. (SEE TOKYO 9317.) EMBASSY HAS RECOMMENDED
THAT RACE HORSE BREEDING PROBLEM NOT BE TREATED AS TFC
CASE (TOKYO 8831). EMBASSY HAS LEARNED FROM INFORMAL
CONVERSATIONS WITH SOME U.S. BUSINESSMEN WHO HAVE
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RECEIVED CONFIDENTIAL CORRESPONDENCE FROM MICROLERT
(TFC CASE 3) THAT MR. CATALDO EXPECTS CONCLUDE SUB-
STANTIAL DEAL SOON, BUT WE DO NOT HAVE DETAILS. THE
BOEING MARINE CASE PRELIMINARY REVIEW IS STILL IN PROGRESS,
WITH A FAVORABLE RESPONSE ANTICIPATED. MANSFIELD

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Message Attributes

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